

Message Text

CONFIDENTIAL

PAGE 01 SANTO 02803 102127Z

13

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 L-03 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 H-03 PA-04 PRS-01 USIA-15 INT-08 DRC-01 /165 W

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R 102020Z JUL 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 0927

INFO AMEMBASSY KINGSTON

C O N F I D E N T I A L SANTO DOMINGO 2803

E.O. 11652: GDS

TAGS: EMIN, EFIN, EIND, DR

SUBJECT: DOMINICAN COMMISSION ANNOUNCES RUPTURE IN NEGOTIATIONS
WITH ALCOA

REF : A) SD 2728

B) STATE 145450

C) SD 2793

DEPT REPEAT TO OTHER POSTS AS DESIRED

1. THE DOMINICAN COMMISSION, APPOINTED BY THE PRESIDENT IN APRIL TO STUDY BAUXITE RESERVES AND OTHER RELATED MATTERS, HOLD TALKS WITH ALCOA, AND MAKE RECOMMENDATIONS FOR A NEW CONTRACT, HAS ANNOUNCED PUBLICLY THAT NEGOTIATIONS WITH ALCOA WERE BROKEN OFF AS OF 10 A.M. JULY 4. SPEAKING FOR THE COMMISSION, CARLOS SELIMAN (ALSO SECSTATE FOR FINANCE) ISSUED A WRITTEN DECLARATION AND HELD A PRESS CONFERENCE JULY 7. BOTH MAJOR MORNING NEWSPAPERS GAVE FRONT PAGE COVERAGE.

2. THE DECLARATION AND PRESS CONFERENCE PRESENTED THE DOMINICAN POSITION IN THE NEGOTIATIONS AND BLAMED THE RUPTURE IN NEGOTIATIONS ON ALCOA'S FAILURE TO RECOGNIZE THE DR'S
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PAGE 02 SANTO 02803 102127Z

"JUST DEMANDS". ACCORDING TO SELIMAN, ALCOA'S HIGHEST

OFFER WAS A \$5.58 PAYMENT TO THE GODR PER DRY METRIC TON OF BAUXITE WHICH IS ONLY 4 PERCENT OF THE ALUMINUM VALUE AT \$0.335 PER POUND. THE COMMISSION CLAIMED THAT ITS FINAL OFFER WAS A FORMULA BASED ON THE MARKET PRICE OF ALUMINUM AS FOLLOWS: 7.5 PERCENT OF THE PRICE OF A METRIC TON OF ALUMINUM DIVIDED BY 4.8 (METRIC TONS OF BAUXITE IN ONE TONE OF ALUMINUM) PLUS \$.55 PER TON ROYALTY. AT AN ALUMINUM PRICE OF \$0.335 PER POUND, THE DOMINICAN FORMULA WORKS OUT TO \$12.066 PER DRY METRIC TON OF BAUXITE. IN ADDITION, THE COMMISSION WANTED THIS PRICE RETROACTIVE TO JANUARY 1, 1974 AND ON JANUARY 1, 1975 AND JANUARY 1, 1976, RESPECTIVELY, THE PERCENT WAS TO BE INCREASED TO 8 AND 8.5. THE COMMISSION DESCRIBED ITS DEMANDS AS ESSENTIALLY THOSE OF THE JAMAICAN GOVERNMENT AND CLAIMED THAT THE BREAK IN NEGOTIATIONS HERE WERE SIMILAR TO THE BREAK IN JAMAICA. FINALLY, THE COMMISSION REPORTED ITS INTENT TO RECOMMEND LEGISLATION IN THE DR SIMILAR TO GOJ'S.

3. COMMENT. AS FAR AS THE DECLARATION WENT, IT ACCURATELY, IF SLANTEDLY, PRESENTED THE COMMISSION'S POSITION. HOWEVER, THE COMMISSION IN NEGOTIATIONS WITH ALCOA HAD RAISED OTHER ISSUES (E.G. MINIMUM AND MAXIMUM EXPORTS; DETERMINATION OF HUMIDITY FACTOR, ETC.) WHICH THEY DID NOT MENTION PUBLICLY. ALSO, ALCOA HAS PRIVATELY INFORMED THE EMBASSY THAT THE COMMISSION WOULD HAVE SETTLED FOR \$8.00 PER TON, BUT ALCOA WAS UNABLE TO AGREE BECAUSE IT WAS CONSTRAINED BY ITS NEGOTIATIONS IN JAMAICA. THE COMMISSION'S INTENTION TO RECOMMEND JAMAICAN-TYPE LEGISLATION FOR THE DR CAME AS A SURPRISE; IT HAD NOT BEEN RAISED IN TALKS WITH ALCOA. SUCH LEGISLATION IN THE DR MAY BE CONTESTED AS UNCONSTITUTIONAL, ACCORDING TO THE LOCAL ALCOA MANAGER.

4. IT IS DIFFICULT TO ASSESS ACCURATELY THE REASONS FOR THE COMMISSION'S PUBLICITY SPLURGE. THERE IS THE NATURAL BENEFIT OF INCREASING PRESSURE ON ALCOA, OF COURSE, AND THE NOT-TO-BE-IGNORED TOTA PARA IN PATRIA DEMONSTRATION AS THE PRESIDENT CONTEMPLATES FORMING HIS NEW CABINET. HOWEVER, WE DO NOT FEEL THAT THE PUBLICITY MATERIALLY ALTERS OUR ASSESSMENTS IN REFTTEL C.

5. ALCOA (LOCAL) DOES NOT SEE AN IMMEDIATE NEED TO RESPOND
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PAGE 03 SANTO 02803 102127Z

IN KIND TO THE COMMISSION'S ACCOUNCEMENT AND STATEMENTS. HOWEVER, THEY DO FEEL THAT THEY MUST APPROACH THE PRESIDENT NOW AND GIVE THEIR SIDE OF THE CASE.
HURWITCH

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NNN

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